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Spraying orange grove, Taiwan

October 14, 1974

Taiwan's Thriving Trade

Inflation in Eastern Europe

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This week's cover:

Farmworkers spraying oranges in one of Taiwan's citrus groves. In 1973, Taiwan's exports of farm products were valued at about $615 million—including about $6 million worth of canned oranges to the United States. See article beginning this page.

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Taiwan's Boom Economy Spurs Demand for Farm Imports

By AMJAD H. GILL
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THE REPUBLIC OF CHINA (Taiwan)—generally the third or fourth largest U.S. farm market in the Far East—more than doubled its takings of U.S. agricultural exports in fiscal 1974 and offers potential for futher growth in the years ahead. This is especially true for wheat, corn, barley, cotton, soybeans, and tobacco—commodities aided by strong demand, domestic crops insufficient to meet growing needs, and rising incomes.

At the same time, the United States is an important market for Taiwan, although here industrial commodities dominate a trade that was $1 billion in the first half of calendar 1974 alone. The United States is nonetheless an important market for selected agricultural products from Taiwan, mainly sugar and processed products like canned pineapple and canned mushrooms.

This strong two-way trade has made the United States Taiwan's leading export market, while the United States is outsold only by Japan in the Taiwan market. The more than $1 billion in Taiwanese exports to the United States in the first half of calendar 1974, for instance, represented more than 35 percent of that country's total exports. And Taiwan's total imports from the United States in that period, at $845 million, were 25 percent of all its purchases.

Despite efforts to expand domestic production, Taiwan's need for substantial food and feed imports is expected to continue. Imported farm products are being subsidized, long-term supply agreements sought, and foreign sources are being firmed up. Closer economic ties are being arranged with some oil-producing countries to expand two-way trade in industrial equipment as well as farm products.

Taiwan's imports, as well as its exports, have undergone a fundamental change in composition. In 1952, agricultural and industrial raw materials accounted for 74 percent of total imports and capital goods only 13 percent. But by 1972 agricultural and industrial raw materials made up 57 percent of the value of imports, and capital goods accounted for 37 percent.

The agricultural side of this trade is dominated by the United States, which in fiscal 1974 shipped $518 million worth of farm products to Taiwan. This represented a more than 100 percent gain over fiscal 1973 sales of $243 million.

Taiwan's leading agricultural imports include wheat, corn, soybeans, cotton, and tobacco—90 percent of which come from the United States. In fiscal 1974, U.S. shipments of these products to Taiwan totaled around $482 million, compared with $221 million the year before.

Virtually all of Taiwan's soybean imports come from the United States. In 1973, such shipments totaled about 600,000 tons, valued at $139.4 million—a figure that climbed further to $155 million in fiscal 1974. Taiwan's consumption of soybean meal increased more rapidly than did consumption of soybean oil, owing to expansion of the livestock industry.

Corn, formerly used chiefly for food, now is consumed mainly for feed. Taiwan began importing significant quantities of corn in 1962, when the United States shipped about 17,000 tons. Until 1972, U.S. corn exports to Taiwan fluctuated between 2,000 and 308,000 tons yearly.

THAILAND was the chief supplier of corn to Taiwan until 1972 when the United States took the lead. U.S. corn exports to Taiwan totaled a record 560,000 tons, valued at about $50 million in calendar 1973, and edged up in value to $52 million for fiscal 1974. Taiwan has signed a trade agreement with U.S. suppliers for importation of about 1.35 million tons of U.S. corn over the next 3 years.

The United States has been the main supplier of wheat to Taiwan since 1953.

Between 1953 and 1967, U.S. wheat exports included both Government-assisted and commercial shipments. Since then, all wheat imports from the United States have been on a dollar basis.

In fiscal 1974, U.S. wheat exports to Taiwan soared to $152 million for a nearly 350 percent gain from the fiscal 1973 level. Under a new 3-year trade agreement, U.S. suppliers are scheduled to export about 1.65 million tons of wheat to Taiwan.

Taiwan depends almost entirely on imports for its supply of cotton. In the 1960's, Taiwan's cotton spinning industry expanded rapidly, and cotton imports increased accordingly. U.S. cotton exports to Taiwan hit a record $98 million in marketing year 1973-74 (August-July). Sales of about 400,000 bales for shipment in 1974-75 represent a value near the 1973-74 level.

Takings of tobacco and cattle hides from the United States also reached new records. U.S. tobacco exports to Taiwan were valued at about $25 million in fiscal 1974—two-thirds above those in the previous year—reflecting the increase in production of high-quality cigarettes. Sales of U.S. nonfat dry milk and inedible tallow also rose.

Total exports from Taiwan have shown similar sharp gains. The 1973 figure of about $4.5 billion represented an increase of around 50 percent from the $3 billion shipped in 1972. Agricultural exports in 1973 rose to $615 million—33 percent over the 1972 value.

Still, agricultural products have declined in importance over the long term, reflecting Taiwan's rapid economic development and its shift from an agricultural to industrial base. In 1958, raw and processed agricultural goods accounted for 86.3 percent of Taiwan's total export trade. By 1964, that share had declined to 56 percent, and by 1972, to only 17.1 percent. At the same time, sharp gains were made in industrial exports.

Among the major agricultural exports in 1973 were sugar, frozen pork, canned asparagus, canned mushrooms, canned and fresh pineapple, tea, and vegetables. Exports of sugar, the most important agricultural commodity, increased from $88 million value in 1972 to $91 million in 1973. The major sugar buyers were Japan, South Korea, and the United States.

Frozen pork was the second major commodity in export importance. Exports of frozen pork were valued at $69.5 million in 1973, compared with only $20.1 million in 1972. The major customers for Taiwan's pork were Japan, Hong Kong, the Philippines, and Singapore.

Taiwan's agricultural exports to the United States in fiscal 1974 were valued at about $82 million—up almost 19 percent from the fiscal 1973 total.

Major items shipped to the United States include sugar, canned mushrooms, canned pineapple, canned oranges, and canned asparagus. Trade in these individual products, however, has shown some sharp—and often rather sudden—changes during the last decade.

Sugar played a leading role in Taiwan's expansion of exports to the United States during the early 1960's, but later began to lose ground to such

Every square foot of arable land in Taiwan must produce its share of food, such as the garden crops, above. Terraced hillsides, left, facilitate maximum use of available farmland. Workers in foreground, below, weed ricefield, while chemical fertilizer is broadcast nearby by another field worker. Taiwan's agricultural production is expected to rise about 4 percent this year. Rice cropland is 5-10 percent greater this year than last.

newcomers as canned mushrooms, canned pineapple, and other fruits and vegetables.

While sugar's fortunes in the U.S. market steadily eroded, falling to $10.3 million in calendar 1972, shipments of other products to the United States moved to successive records.

However, recently the situation has again changed. With high world prices, sugar exports to the United States in fiscal 1973 shot back up to over $15 million and in fiscal 1974 to more than $23 million—more than double the level of calendar 1972. But shipments of canned mushrooms fell from about $25 million in calendar 1972 to $20.6 million in calendar 1973 and held at about that level in fiscal 1974.

Canned pineapple exports to the United States likewise fell from about $7.8 million in 1972 to $6 million in 1973 and slightly less than $6 million in fiscal 1974. And exports of canned oranges—after soaring from an initial $1.3 million in 1964 to a record $6 million in 1973—eased to $5.8 million in fiscal 1974.

Other commodities shipped to the United States and total values in fiscal 1974 are: Tea, $2.1 million; water chestnuts, $4.2 million; canned asparagus, $3.4 million; feathers, $2.7 million; and citronella oil, $1.2 million.

Taiwan's strong demand for imported farm commodities has been supported by its booming domestic economy, which in 1974 is growing at an only slightly slower rate than in 1973. The estimate for expansion in gross national product (GNP) this year is about 9 percent, compared with 12 percent in 1973 and 11 percent in 1972.

However, rising costs of some imported raw materials—such as crude oil and agricultural raw commodities—plus higher ocean freight rates are eroding the favorable trade balance that Taiwan has enjoyed for the past few years. Also, domestic price stabilization will be a major problem, due to the annual rate of inflation of over 12 percent.

Taiwan's agricultural production is expected to increase by about 4 percent this year. Rice cropland probably will be 5-10 percent larger than in 1973. The Government's 1974 target for rice production is a minimum 2.5 million tons.

Large quantities of corn are required for Taiwan's expanding livestock industry, and the Government hopes for a domestic production of 95,000 tons in 1974—about 12 percent higher than the 1973 total.

Soybean production may reach 65,000 tons in 1974.

Agriculture in Taiwan is subject to a substantial degree of Government control through such devices as taxation, direct purchases, price ceilings, fixed prices, and input controls.

The two largest problems facing Government agricultural planners are a shortage of land and low farm income. While there is not much that can be done to expand total farm area, the Government is making an effort to retain as much of present farmland as possible, and to finance inputs that will increase farm output.

The recent ban on the use of highly productive agricultural land for nonagricultural purposes, such as factory and housing construction, is an example of the steps being taken to preserve farmland.

". . . Taiwan's economic growth rate in both 1973 and 1974 is viewed by economists as favorable when compared with the slowing effects that inflation has had in other countries."

The Government's major effort to increase output is a substantial investment in facilities for shortage and distribution of irrigation water. For example, investments in water storage and distribution facilities in the Chia-Nan area will add about 75,000 acres to the present irrigated land area of about 1.1 million acres.

The Government also controls selling prices of fertilizer so as to encourage farm production.

Also, subsidies are provided for imports of soybeans and wheat, and ceiling prices have been set for items produced from these subsidized raw agricultural products.

As a further measure to reduce the impact of rising world prices, the Government reduced the import duty on a large number of imported farm commodities by 50 percent.

The Government in early 1973 established a low-interest (5.5 percent) revolving loan fund to finance imports of grains and oilseeds. The interest rate has since been increased.

The Government is making a major effort to increase purchases of agricultural products from the United States. Several categories of importers have been instructed to buy major portions of their agricultural raw materials needs from the United States in order to equalize the trade balance, which has been overwhelmingly in Taiwan's favor. An agreement signed in 1973 provides that a majority of wheat, soybeans, and corn imports over the next 3 years will be imported from the United States.

The Taiwan Food Bureau ended its rice-fertilizer barter system early in 1973. In the past, Food Bureau rice supplies obtained under the barter system have been instrumental in maintaining stable prices for this major cereal food. Food Bureau rice purchases under a floor-price cash-purchase plan in 1973 did not provide enough rice in Government hands to prevent price rises of nearly 400 percent early in 1974.

The Government continued to control prices of several major domestic agricultural products in 1973.

Sugar prices to farmers are guaranteed for the 1973-74 crop at $132 per metric ton of raw sugar produced from cane deliveries.

Rice price for 1974 production is pending. Farm price for second-crop 1973 rough rice is set at about 16 cents per kilogram for deliveries to the Government under the rice tax program or to the Food Bureau under the cash purchase plan.

Mushroom canners are required by the Government to pay growers about 40 cents per kilogram for fresh mushrooms purchased from farmers during the 1973-74 growing season. There is no requirement that all mushrooms produced be purchased.

Asparagus canners are directed by the Government to pay about 28 cents per kilogram for first-grade asparagus purchased from farmers. The minimum prices for lower grades are set according to quality. There is no requirement to purchase the total crop produced.

Pineapple canners' price for 1974 production is pending. Minimum price canners were permitted to pay for fresh pineapple during the winter 1973 harvest ranged from about $29 to about $35 per metric ton, depending upon quality. There is no requirement to purchase total production.

Tobacco minimum purchase prices

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Inflation Beginning To Affect Economies of Eastern Europe

By THOMAS A. VANKAI
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A NETTLESOME economic problem for many Western countries—inflation—is now beginning to harrass some of the centrally planned Eastern European economies.

In at least four countries—Czechoslovakia, East Germany, Hungary, and Poland—defensive measures are being taken, and State planners in these countries are assessing the impact of inflation on domestic food consumption and on agricultural production and trade.

Actually, inflation in its simplest manifestation—rising retail price indices—is not an alarming problem in Eastern Europe. Consumer price increases have been suppressed by price control.

Only some selected retail price increases have been allowed, and these have in many cases been balanced by price reductions. Prices of staple food and clothing items have remained unchanged.

Nevertheless, the internal economies of the four countries are under severe inflationary pressures, but through stringent controls the outward appearance of inflation has been avoided temporarily. And there is an absence of any prevalent inflationary psychology—at present, at least—that would tend to bring latent inflationary forces into fast action.

Not all of the manifold causes of inflation found in the world's enterprise economies exist in the centrally planned economies, and the effects of inflation differ in each economy according to the countermeasures adopted.

Simmering inflation, approved by Keynesian economists and tolerated in most developed countries, has also been approved by a majority of East European economists.

Galloping inflation, generated by increased raw materials prices—particularly of food and energy—has not yet penetrated the centrally planned economies to any extent.

However, the effects of higher world prices on the centrally planned economies have been averted only temporarily—and only at the consumer level. The East European member countries (Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania) of the Council for Economic Mutual Assistance (CEMA) are self-sufficient neither in food nor in energy, and sooner or later the impact of higher prices must show up in the form of lower purchasing power for consumers.

The principal factors of cost-push inflation are price increases in world markets. Approximately one-third of East European foreign trade is conducted with countries where price increases have occurred—countries that are not members of CEMA.

Within CEMA, under the terms of an agreement signed in 1959, foreign trade prices based on international prices are negotiated for 5-year periods and are kept constant. The present agreement is scheduled to extend through 1975.

Few nations can long remain insulated from the worldwide inflationary effects of cost-push or demand-pull inflation, or from the inflationary effects of excessive money supply.

The cost-push effect usually exerted by wage increases or administered pricing is minimized by official controls, but even in socialized economies not all incomes are derived from controlled wages.

HOUSEHOLD FARMING, for example, contributes almost one-third to the farm incomes of Czechoslovakia, East Germany, and Hungary—countries where private ownership of land is minimal. And in Poland, 84 percent of the land is in the hands of citizens having access to some free markets.

If the consumption of self-produced goods and the prices received on free markets rise faster than farm productivity—as has been the case—an inflationary effect exists. Other cost-increasing factors are the interest rates charged to enterprises for capital borrowing and turnover taxes on industrial goods calculated to counterbalance subsidies.

Demand-pull inflation is present in three spheres of the economy—domestic consumption, domestic investment, and exports. In 1973, owing in part to increased industrial productivity, the aggregate disposable income increase ranged from 5 percent in Hungary to 10 percent in Poland.

Higher incomes invariably increase demand for stably priced food, particularly meat. As a result, annual meat consumption rates projected in Czechoslovakia, East Germany, and Hungary for 1975 actually are being reached in 1974, and in Poland the projection for 1975 was attained in 1973.

Unplanned expenses for investments combined with a positive trade balance, as in Hungary in 1973, exert a demand-pull effect. None of the Governments of Czechoslovakia, East Germany, Hungary, or Poland succeeded in achieving proper balance among domestic consumption, domestic investment, and exports. They found that economic controls worked better as devices for keeping incomes in check than for restricting investment outlays.

GOVERNMENT planners found also that cost overruns became rampant, and that project completion times often were underestimated, forcing choices between the undesirable alternatives of financing additional investment costs or having partially completed projects. Usually, socioeconomic considerations in granting additional funds tend to override economic feasibility. This situation occurs because price rigidities make it difficult to calculate opportunity costs.

Budget deficits, while not inflationary if financed by loans, have an indirect inflationary effect, as the balancing involves interest payments and higher taxes both of which add to the cost of production.

Countermeasures include heavier subsidies for staple foods to shelter consumers from the hardships of price advances, higher prices of so-called nonessential foods and beverages, and reduced investment outlays.

Price stabilization, which requires a considerable degree of regulatory manipulation, has become more difficult to maintain since 1973.

The traditional isolation of hard-currency trade through export-import price equalization maneuvers has become more difficult to achieve in East-

ern Europe because prices of imported raw materials have increased faster than export prices.

Prices charged by retailers and producers in each of the four countries remain independently set, which isolates producers from fluctuations in import prices and precludes any benefit that might be achieved by increasing export prices.

The stimulation of agricultural production has continued, due to higher domestic producer prices. But staple retail food prices—such as those of meat and meat products, bread and cereal products, milk and dairy products, and sugar—have remained unchanged.

Only in Hungary, where a 1971-75 economic plan is in effect, have some retail food prices been increased. Higher prices were posted for milk and milk products in 1972 to alleviate a short supply situation, and the result was a drastic reduction in milk consumption and the creation of a milk surplus in 1973.

In all four countries, price manipulations have involved subsidizing staple food products and charging turnover tax on nonfood consumer goods to compensate for the outlays. In some instances, the gap between producer prices has narrowed to unrealistic levels, and some products in Government stores have been sold for less than producer prices.

Food subsidies annually are becoming more burdensome, and now account for an average 8-10 percent of total budget outlays in the four countries. In Hungary, the food subsidy increased by 10 percent in 1973.

Retail prices of domestic fruits and vegetables, which are not controlled in the four countries, have risen markedly. Also, prices of alcoholic beverages and imported coffee, cocoa, and fruits were hiked in 1973.

THE POLISH Government differentiates between "important" and "nonimportant" food imports by increasing prices of goods in the "nonimportant" category. This arbitrary categorization lends itself to disputes.

After some hesitation, the Governments of Czechoslovakia, Hungary, and Poland increased prices of gasoline and diesel fuel in 1973, thus adding to agricultural production costs. In Czechoslovakia, the higher prices were offset by the abolition of vehicle license fees. In Poland, special fuel allocations have been provided for agricultural machinery on socialized farms, while higher prices were established for privately owned equipment.

In addition to administrative measures, the four countries appealed to their populations for thrift and efficiency in the use of energy, and for the use of coal in place of oil or gas. In East Germany, industry has been ordered to reduce electricity consumption by 2.4 percent in 1974.

Hungary was the first of the four countries to acknowledge officially that import prices probably would not return to pre-1973 levels nor to past price ratios. Producers of steel, chemicals, and clothing have been notified they must pay more for their raw materials, starting in 1975. The Government is considering whether it will approve tax benefits or higher product prices if the increased production costs cannot be absorbed.

Hungarian Foreign Trade Minister Jozsef Biro describes the scale and proportion of price movements outside the CEMA trade area as "unprecedented in the history of socialist planned econ-

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SELECTED ECONOMIC INDICATORS: CZECHOSLOVAKIA, EAST GERMANY, HUNGARY, AND POLAND

Item	Czechoslovakia Rate of growth			East Germany Rate of growth			Hungary Rate of growth			Poland Rate of growth		
	1971-75 annual average planned	1973 actual	1974 plan	1971-75 annual average planned	1973 actual	1974 plan	1971-75 annual average planned	1973 actual	1974 plan	1971-75 annual average planned	1973 actual	1974 plan
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
National income	5.1	5.2	5.0	4.7-5.1	5.5	5.4	5.4-5.7	6.7	5.0	6.6-6.8	9.5	9.5
Industrial production	6.0-6.3	6.4	5.8	6.0-6.3	6.8	6.7	5.7-6.0	7.2	5.5-6.0	8.2-8.4	12.0	11.1
Agricultural production	2.6	4.2	3.8	2.4	[1]5.4	[1]6.8	3.2-3.4	5.0	2.0-2.5	3.5-3.9	7.8	4.3
Real income	5.0	[2]6.2	[2]5.5	3.9-4.2	[2]5.6	[2]4.5	4.6-4.9	4.5-5.0	5.0-5.5	3.4-3.7	[2]10.0	[2]8.8

	Czechoslovakia			East Germany			Hungary			Poland		
	1975 plan	1973 actual	1974 plan	1975 plan	1973 actual	1974 plan	1975 plan	1973 actual	1974 plan	1975 plan	1973 actual	1974 plan
	Kg	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*	*Kg*
Meat consumption per capita	78	76.5	78	72.6-75	72	73.5-74	67	65.8	68	61-62	61.3	63.5
Fertilizer use per hectare	229	204.8	210.6	314	284	[3]290	217	174.2	192	200	157.6	180

Index (1965=100)

	Czechoslovakia			East Germany			Hungary			Poland		
	1970	1972	1973	1970	1972	1973	1970	1972	1973	1970	1972	1973
Retail prices												
Total	109.8	109.3	([4])	99.8	99.8	([4])	104.3	109.4	113.2	106.8	107.2	107.9
Food products	101.1	105.0	([4])	101.0	102.1	([4])	106.8	109.7	115.3	108.1	110.1	110.4
Industry goods	114.9	113.6	([4])	98.2	96.4	([4])	102.0	106.9	([4])	102.7	99.5	99.7

[1] Includes food industry. [2] Money income of population. [3] Estimate. [4] Not available.

Rains Come to the Sahel, But Massive Famine Relief Continues

By SNIDER W. SKINNER
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THE RAINY SEASON is in progress in the West African countries that are known as the "Sahel"—Senegal, Mauritania, Mali, Upper Volta, Niger, and Chad. However, it is still too early to determine whether the rainfall will be adequate to produce normal crops and thus end the drought that has gripped this region for 5 years.

In the meantime, massive international relief efforts continue—with the multi-million-dollar total including some $145 million pledged by the United States. In addition to the U.S. contribution, relief has been given by the European Community, France, West Germany, the Food and Agriculture Organization, the United Nations Children's Fund (UNICEF), the World Bank, Belgium, Canada, Denmark, Hungary, Japan, Libya, the Netherlands, Nigeria, Norway, Spain, Sweden, the United Kingdom, the United Arab Emirates, the Soviet Union, and other countries and international organizations.

Since 1973, when the United States began to ship food for famine relief to the Sahel countries, over 600,000 metric tons of U.S. grain and high-protein foods have been contributed. This is about 40 percent of the total quantity from all contributors. As of July 31, 1974, total U.S. aid commitments of all kinds (including food) to the six Sahel countries had reached the $145-million level.

U.S. grain contributions have consisted mostly of grain sorghum and corn. The high-protein foods consisted of corn-soya blends, soy-fortified sorghum grits, and similar products.

Rains were above normal in July in Senegal, Upper Volta, Niger, and Chad. Several of the Sahel countries suffered severe flooding later in the season.

In any case, pasture conditions had begun to improve simply because such a large part of the area's livestock population had died from lack of food and/or water—50 percent or more in some countries—that there is now more grass per animal. Also, it should be remembered that—despite total failure in some localized areas—home-grown crops provided the greater part of the food consumed in each country in 1973 and in earlier drought years.

All of the transport facilities of the Sahel countries—and those of their neighbors—have been mobilized to move large amounts of food into drought-stricken regions, although some bottlenecks have developed.

In the summer of 1974, a shipment of 1,600 metric tons of U.S. sorghum was unloaded at Oran, Algeria (on the Mediterranean Sea), and hauled overland by truck across the Sahara to Gao, and Tessalit in Mali. In 1974, as well as in 1973, a U.S. Air Force Task Force of three C-130's flew grain from a base at Bamako, Mali, to airfields at Gao, Tomboucto, Goundam, Tessalit, and Nioro, all also in Mali. Negotiations were also recently completed to open Mauritania and Chad to airshipments of grain and other foods from Bamako.

In addition to the airlifts by U.S. planes from Bamako, the distribution point at Gao has been supplied by a variety of other means and from several directions—by truck from the railhead at Parakou, Dahomey; by the 1974 truck caravans from Oran; and by Niger River barges from Mopti, Mali.

Among the railroads used to supply relief food to interior West Africa are the lines from Dakar, Senegal, to Bamako and Koulikoro, Mali; from Abidjan, Ivory Coast, to Ouagadougou, Upper Volta; from Contonou, Dohomey, to Parakou, Dohomey; and from Apapa (Lagos) and Port Harcourt, Nigeria, to Maiduguri, Nigeria. Since Niger and Chad have no railroads, they have to be supplied by other means.

The use of large-capacity trucks over roads that either parallel the railroads, or go by separate routes, has added greatly to the transport capacity for delivery of food to hungry residents in the six countries. Barges on the Niger River are also used to move supplies from main depots to subordinate supply centers.

Despite these massive efforts, grains and other foods have piled up on West African docks because of the relative inability of the railroads, trucks, and waterways to get foods in the required amounts to hungry people inland. Congestion has been particularly heavy at Dakar, Senegal; Abidjan, Ivory Coast; and Contonou, Dahomey.

OTHER BOTTLENECKS have developed at Rosso, Mauritania, where foods must be ferried across the Senegal River; at Parakou, Dahomey, the northern terminus of one of the country's rail lines; and Maiduguri, Nigeria, the north end of another rail line.

In addition to the Sahel countries that lie to the south of the Sahara, contributions of food have also been made to the Gambia, Guinea, and Cameroon, as well as to some other countries in East Africa. Drought conditions have also been reported in northern Nigeria and the far northern part of Ghana. Neither country has asked for international relief, however. Nigeria is drawing on its own resources to meet the crisis.

In addition to famine relief, the Sahel countries will also benefit from several middle- and long-term projects that have been initiated by the United States and other countries and by international organizations. Among these are programs to improve river navigation on the Niger River in Mali, animal and human health, railroad rolling stock and tracks, crop storage facilities, and water supplies. Also being studied are projects aimed at improving range management techniques, increasing agricultural production, and a scheme detailing the possibility of settling nomadic tribes on farms.

New Canadian Incentives Aimed At Strengthening Wool Industry

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CANADA'S sheep industry, through new Federal and Provincial lamb and mutton incentive programs, is attempting to reverse a 10-year decline in sheep numbers and wool production.

Sheep and lamb numbers decreased by nearly 40 percent in the 10-year period ending June 1973. Confidence in the industry was eroded, due mainly to lack of economic stability.

However, strong domestic lamb prices and producer incentive programs now provide some optimism in Canada's sheep industry, although 1974 wool prices are averaging lower than last year, reflecting recent uncertainty in world wool prices.

The level of shearing in 1974 probably will yield close to the 3.2 million pounds of wool clipped in 1973. Average fleece yield is expected to be about 7.8 pounds this year—about the same as in 1973.

Canadian imports of raw wool during first-quarter 1974 were down slightly from the correpsonding period of 1973, but are forecast to reach 37 million pounds for the year, a slight increase over the 1973 level.

Wool exports are expected to remain at or about 1973 levels. Domestic consumption is closely related to the amount imported, and is forecast to reach 39 million pounds, an 8 percent increase over 1973 domestic disappearance of wool.

The total wool supply in Canada is influenced mostly by the quantity imported. In 1973, total supply fell 25 percent to 37,578,000 pounds, due mainly to reduced imports. A decrease in wool production accounted for only 2.5 percent of the decline.

Exports in 1973 fell back to 1971 levels—down by 419,000 pounds from the 1972 level. Domestic disappearance was off sharply in 1973—down 25 percent to 36 million pounds from 45 million pounds in 1972.

Sheep numbers in Canada have been declining steadily. The total number of sheep and lambs on farms on January 1, 1974, was 561,500, compared with 579,400 a year earlier.

The number of sheep 1 year old or more was down 3 percent to 410,000 in the year ending January 1, 1974. Lambs aged less than 1 year declined 4 percent to 152,000 on January 1, 1974, compared with 158,000 on farms as of January 1, 1973.

The industry speculates that producers claiming advantage of available retention programs this fall will increase Canada's sheep numbers into 1975, thus bringing about increased wool output.

Canada's total wool clip was off 7 percent to 3,212,000 pounds from the revised 1972 level of 3,448,000 pounds. The Western wool clip at 1,997,000 pounds was down 7 percent, and Eastern production at 1,215,000 pounds also was down 7 percent from 1972 levels. Alberta and Ontario are Canada's largest producers of wool, accounting for 35 and 22 percent, respectively, of total shorn wool production in 1973.

Average fleece weights are heaviest in Alberta and Saskatchewan at 9.1 and 9 pounds, respectively, well ahead of the 7.8 pound average for Canada.

OF THE TOTAL 3,221,187 pounds of wool graded in 1972, 2,776,218 pounds met acceptable grade standards and 289.919 pounds fell into reject grades. Although the 1973 wool clip was sound and well grown, it was said to have an unusually high percentage of chaffy and burry wools. Hay and straw stems were the main problems.

Canada is a net importer of wool, and depends heavily on foreign sources for consumable supplies. Total raw wool imports in 1973 were 34.4 million pounds greasy basis, down 21 percent from 43.6 million pounds in 1972. Decreased imports of scoured and washed wool and wool tops were major contributions to the lower 1973 import volume.

The United States in 1971 was Canada's fourth largest supplier, but by 1973 had displaced both Australia and New Zealand to become the next-to-largest source, ranking second to the United Kingdom, Canada's longtime major supplier.

Canadian wool producers face virtually duty-free imports of wool from exporting countries. The only tariffs on raw wool imports into Canada are those on wool not further prepared than combed. Such imports are free under the British preferential rate, and have most-favored-nation and general tariffs of 5 and 15 Canadian cents per pound, respectively.

Canada's wool exports declined to 1,568,000 pounds greasy basis in 1973 from 1,987,000 pounds in 1972. The major item of export trade is wool in the grease, although this category declined by 33 percent to 1,378,000 pounds in 1973 from 1,837,000 pounds in 1972.

Scoured or washed wool exports tripled, rising from 58,000 pounds in 1972 to 172,000 pounds in 1973 as Belgium-Luxembourg emerged as a new market for wool of this classification. The United Kingdom continued to be Canada's major wool export market.

Domestic consumption of raw wool in Canada totaled 36 million pounds greasy basis in 1973, down 25 percent from 1972's 45 million pounds.

The average farm price of wool in 1973 was 70.9 cents per pound, up substantially from the 1972 average of 31.4 cents per pound. Members of the Canadian Cooperative Wool Growers, Ltd., received an additional patronage dividend of 3 cents per pound in 1973. Total farm value of shorn wool production reached $2.3 million in 1973, compared with $1.1 million in 1972.

To encourage a higher level of production, lamb incentive programs have been put into effect by the Alberta and Nova Scotia Provincial Governments as well as by the Federal Government in Ottawa.

A lamb processing plant being built at Innisfail, Alberta, by the Lamb Processors Co-op, Ltd., is scheduled to be in operation in the fall of 1974. The plant is to be operated jointly by the Alberta Sheep and Wool Commission, the Alberta Government, and individual producers. A supply of about 60,000 lambs per year probably will be required to justify the plant. In 1973, about 50,000 lambs were slaughtered at Winnipeg and Edmondton, and at least some of this volume is expected to be diverted to the new facility at Innisfail.

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World Copra Output Recovering From Effects of 1973 Drought

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Foreign Commodity Analysis,
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WORLD PRODUCTION of copra in 1974 is estimated at 2.5 million metric tons in terms of oil equivalent—up 2 percent or 44,000 tons from the 1973 total.

Last year's production was down as a result of lack of rain in principal producing areas. The 2,471,000-ton total volume of oil produced in 1973 was down 11 percent or 293,000 tons from the high production of 2,764,000 tons in 1972.

Copra production generally was stable over much of the 1960's, but increased rather sharply in 1971 and again in 1972. It is likely that production in 1975 will be almost back to the relatively high 1972 level.

Almost three-fourths of the world's supply of copra is produced in four countries—the Philippines, Indonesia, Sri Lanka, and Papua New Guinea. The combined production—in terms of oil—in these countries in 1974 is estimated at about 1.9 million tons, or about 74 percent of the world output of 2.5 million tons.

In 1960, these countries produced 69 percent of the total; in 1965, their share was 70 percent; and in 1970, it was again 70 percent. Only in the past few years has the proportion produced by the major producer-exporter countries increased.

The leading producer of copra is the Philippines, and in 1974 its production —in terms of oil—of 1,120,000 tons probably will amount to about 45 percent of total world output. The Philippine total is likely to be down about 2 percent in 1974 from 1973, as a result of rainfall shortage in the main producing areas that started early in 1972 and continued through January 1974.

With rainfall back to normal or better, production in the Philippines could increase by 14 percent to 1,280,000 tons in 1975.

Indonesia is the second largest producer of copra, and the 1974 output in terms of oil appears likely to total about 567,000 tons, up 2 percent from the 1973 level. There should be a slight increase in copra production in 1975.

Sri Lanka's production of copra (oil equivalent) in 1974 is estimated at 96,000 tons—an improvement over the relatively low output of 67,000 tons produced in 1973 that was the result of severe drought conditions.

In addition, lack of fertilizer and uncertainty over the new Land Reform Law contributed to the 1973 decline, resulting in a total outturn for the year that was only 41 percent of the 1972 level. Production is now improving and the 1975 total may be up to 134,000 tons.

Production in Papua New Guinea this year is likely to be up by about 15 percent over the 1973 level, for a total 77,000 tons, oil equivalent basis. The 1975 total is likely to be at about the same level.

In addition to the four principal copra-producing countries, copra also is grown in India, Malaysia, Mexico, Fiji, the French Pacific islands, New Hebrides, Mozambique, and some other tropical countries.

World exports of copra and coconut oil in terms of oil are expected to exceed 1.2 million tons this year, up slightly from 1973 levels. There probably will be further improvements in 1975 to about the 1.4-million-ton level.

The four major producer-exporter countries may ship 1,045,000 tons of copra (oil equivalent) and coconut oil in 1974—about 84 percent of the total. However, during 1973 and 1974 several copra-coconut oil producing

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COPRA: ESTIMATED PRODUCTION BY SELECTED PRODUCING COUNTRIES
ANNUAL 1968-73 AND FORECAST 1974
(In 1,000 metric tons)

Country	1968	1969	1970	1971	1972	1973[1]	Forecast 1974
Asia:							
Sri Lanka[2]	194	200	183	195	255	105	150
India	274	279	280	281	290	290	—
Indonesia[2]	660	669	711	769	846	871	886
Malaysia[3]	191	181	182	179	190	196	—
Philippines[2]	1,352	1,183	1,252	1,704	2,078	1,775	1,750
Other	59	57	61	61	61	61	61
Total	2,730	2,569	2,669	3,189	3,720	3,298	3,333
Oceania:							
Fiji	28	34	29	29	26	26	—
French Pacific Islands	18	19	16	14	14	14	—
New Guinea[2]	117	112	109	116	106	105	120
New Hebrides	34	37	31	40	40	40	—
Papua	18	16	16	17	17	17	—
Other	63	76	70	82	83	83	—
Total	278	294	271	298	286	285	300
Africa:							
Mozambique[2]	60	51	60	57	54	60	60
Other	49	47	52	50	54	54	—
Total	109	98	112	107	108	114	117
Americas:							
Mexico	136	126	118	135	140	100	115
Other	66	61	62	66	65	64	—
Total	202	187	180	201	205	164	179
Grand total	3,319	3,148	3,232	3,795	4,319	3,861	3,929
Coconut oil[4]	2,124	2,015	2,068	2,429	2,764	2,471	2,515

[1] Preliminary.
[2] Commercial production on the basis of the combined copra equivalent of exports excluding nuts used for food.
[3] Includes Sabah and Sarawak.
[4] 64 percent of copra.

German Tobacco Difficulties Dampen U.S. Export Prospects

UNITED STATES tobacco exports to West Germany—depressed in recent years by a declining market share—may face more of the same in the near future as a beleaguered domestic tobacco industry turns increasingly to cheaper varieties to help curb spiraling prices.

These price increases already have made their impact on German tobacco consumption, bringing a halt in 1973 to the long-term growth in cigarette use and depressing it again in 1974. Added to this are difficulties caused by the smoking and health controversy, plus economic uncertainties at home and in Italy—the leading market for German cigarette exports.

On the other hand, U.S. tobacco exports have received some help from the devaluation of the dollar. And a developing trend toward more full-bodied cigarettes—which require quality tobaccos such as those produced in the United States—may help maintain U.S. sales.

The importance of these developments is underlined by West Germany's status as the world's largest tobacco importer, with purchases in calendar 1973 totaling 321 million pounds valued at $263 million. In addition, as many as a billion cigarettes may have entered the country in 1973 as a result of direct imports of international brands, plus imports of German cigarettes re-exported from other countries, duty-free tourist import quotas, and a certain amount of illegal trade.

The United States has been an important participant in this trade, in fiscal 1974 shipping the country 103 million pounds of tobacco, valued at $111 million, for a gain of about 12 percent from the previous year. This was exceeded in quantity only by U.S. shipments of 1.17 million pounds at $146 million to the United Kingdom in fiscal 1974; in value, Japan was the second most important market, taking 89 million pounds valued at $120 million.

At the same time, however, the United States has seen a gradual erosion in its share of the German market, as EC membership, changing consumer tastes, and the need to economize has caused tobacco importers to look elsewhere.

Among these U.S. competitors are Italy, Germany's second largest supplier in 1973 with 8.3 percent of the market; Turkey, 8 percent; Greece, 6.5 percent; and the People's Republic of China, an estimated 6 percent. Also, Brazil (4.4 percent of total imports) and Argentina (1.8 percent) have been of increasing importance in the flue-cured market, while Mexico (1.5 percent) is a rising supplier of burley.

THE BULK OF U.S. tobacco sold in West Germany—about 97 percent—is used in the manufacture of cigarettes. Here again, however, U.S. share of the market was off slightly in 1973 from the year before to 30.4 percent of German cigarette manufacture. In cigars, use of American tobacco hit a new low of 0.6 percent last year, and use of smoking tobacco fell 3 percentage points from the 1972 level to 19.2 percent.

Behind the changing composition of German tobacco trade is a substantial increase in retail prices in recent years.

The sharp jump in retail prices of German tobacco products last year—averaging some 20 percent—was the outcome of an increase in the excise tax in 1972. As a result, German cigarette consumption reversed a 4-5 percent yearly growth rate, sliding 0.8 percent, while the declining trend in cigar sales accelerated to 8 percent in 1973. Pipe tobacco sales also fell by almost 3 percent. Only the consumption of fine-cut smoking tobacco—largely used for roll-your-own cigarettes—increased, by nearly 12 percent.

Lower manufactured-product imports and higher exports did permit the industry to step up output of all such products, except cigars, whose output suffered from both poor foreign trade performance and a declining domestic market.

The growth in production and sales of cigarettes claiming to be low in nicotine continued in 1973 but at a slower rate—only one percentage point—and accounted for about 25 percent of the German cigarette market. The growth abatement is related to the generally higher prices for this type of cigarette at a time when consumers are responding to spiraling prices by shifting to less-expensive cigarettes.

Use of more flavorful cigarettes, on the other hand, continued its steady growth of recent years, accounting for 20 percent of the market in 1973. The increasing popularity of American and domestic-made French-type cigarettes has contributed to the advance and prompted German manufacturers to place more emphasis on this quality. Even the nation's leading brand is moving toward fuller bodied types after having been advertised for years as being light and mild. This trend is seen helping sustain German demand for U.S. tobaccos at a time of general pennypinching.

In addition, the combined effect of the U.S. dollar devaluation and the mark's revaluation in 1973 reduced the average cost of U.S. tobacco to German importers by nearly 16 percent, making it more competitive with other types. Nonetheless, it remains higher in price than the lower-quality tobaccos from other third countries.

In the trade policy area, the so-called wrapper tariff applied by the European Community continued to be a difficult problem for U.S. tobacco. The wrapper tariff—a special duty on high-priced tobaccos—hits most strongly at U.S. types, which accounted for a third of this category in 1973. Still, however, the progressive devaluation of the dollar, as well as the fact that the parity of the Community's unit of account versus the mark remained at DM3.66, helped keep most U.S. tobacco out of this class in 1973.

The German Government has attempted to have the EC remove the tariff, but most sources believe success is more likely to come through multilateral trade negotiations now underway.

ALSO IN THIS area, the EC Commission has proposed that the first stage of the EC tobacco tax harmonization be extended by a year until June 30, 1976. The German industry believes this extension will give it the extra time needed to consolidate opposition forces within the Community against a predominantly ad valorem tax system, which would carry a heavier tax burden for higher priced cigarettes. However, there is still the possibility that, before the expiration date of the first stage, an attempt will be made to reach agreement on the final

split of tobacco excise tax into specific and ad valorem components.

In addition to its sizeable tobacco import trade, Germany re-exports large amounts of tobacco—in 1973 nearly 30,000 metric tons, mainly Indonesian cigar leaf. It also has a huge cigarette export trade—which expanded sharply to about 9.3 billion pieces in 1973 from 5.2 billion the year before—after the tax and retail price increases. More than three times shipments a decade ago, these exports go largely to Italy, the Netherlands, Belgium, and Switzerland; sharp trade gains occurred in the latter three last year as a result of their lower excise taxes.

On the domestic side, German tobacco growers are being more dramatically affected by the consumption cut than either tobacco-product output or trade. Following an initial surge in production after the EC Common Agricultural Policy for Tobacco (CAP) went into effect in 1970, overall German tobacco acreage fell 2.9 percent to 3,936 acres in 1973. However, because of unusually high yields, production rose 11 percent to 25 million pounds.

Contributing to the reversal in plantings last year is the fact that growers overextended themselves when they enlarged their area by 24 percent during the first 3 years of the CAP. This was due in part to encouragement by dealers entering into contracts with growers and obviously overestimating the forthcoming demand for heavily subsidized domestic tobacco.

That surge in demand never materialized, while instead cigarette sales slowed and the decline in cigar sales accelerated.

In addition, the pricing mechanism of the EC's Tobacco CAP has not fulfilled the farmers' hopes of high returns. The standard or target prices and buyers' premiums set by the Community for German tobacco—important criteria for setting contract growing prices—were increased by only 1 percent and 1.5 to 4 percent, respectively, in 1973.

As a result, the average return to growers for their 1973 crop is estimated to have fallen 2 percent below that from the 1970 crop. The placing of a growing portion of the domestic crop into lower quality grades—a perennial issue between growers and buyers—had largely contributed to this price trend.

In addition to these problems, the significant expansion in Italian production of German-type Geudetheimer cigar leaf—up from 60 metric tons in 1971 to about 800 in 1973 and an estimated 1,200-1,500 in 1974—has resulted in serious marketing difficulties for German tobacco of this type grown under contracts with dealers. Industry sources state that the Italian Geudertheimer is of very good quality and sells at a considerably lower price than Germany Geudertheimer. The result has been a German attempt to have exports of this type subsidized, plus efforts to switch some of this acreage to burley.

In view of such difficulties, it is hardly surprising that the number of German tobacco growers dropped by nearly 3 percent during the past 2 years. Those who remain continue efforts to further mechanize tobacco cultivation, especially in view of a growing shortage of farmworkers.

Looking to the near future, the outlook is for a consolidation this year of cigarette production at about the 1973 level, a somewhat lower cigar output, and a moderate increase in the manufacture of smoking tobacco. The overall result should be German use of tobacco remaining at about the 1973 level, and use of American tobacco also staying at around 90 million pounds; 85 percent of the American tobacco will be fluecured, and most of the remainder, burley.

Overhanging the market, however, are a number of questions that could dramatically affect Germany's future consumption and trade.

One is the general economic condition of the country, including its impact on foreign labor. Strong economic growth so far has attracted over 3 million foreign migrant workers to Germany, and these workers now account for slightly over 8 percent of Germany's total cigarette usage. To maintain this labor force, a favorable economic situation will be necessary.

Similarly, there is concern about whether Germany's cigarette exports can be sustained in view of the economic difficulties now facing Italy, market for half such exports and 3 percent of total German cigarette production. To redress its balance of payments, Italy has recently taken steps to curtail imports of these and numerous other products.

Also, with steeply rising production costs—accelerated by rising costs of labor and energy—there have been rumors that another price hike is in the offing for cigarettes. Although the industry as been quick to deny the rumors, vending machines are being remodeled for the sale of higher priced cigarettes. Moreover, the industry has admitted privately that over the long term price increases appear unavoidable. But it is afraid of what this could mean to sales, knowing that prices have already reached the point where further hikes could have serious repercussions.

Finally, the market continues to be affected by the smoking-and-health issue, which has moved more and more into the focus of public attention. Already, there have been serious attempts in the German Parliament to obtain a complete ban on tobacco advertising. While the issue is still undecided, the considerable restraint exercised by the German industry in advertising may ward off a legal ban. Nonetheless, the tide of anti-smoking campaigns is expected to rise in coming years.

Taiwan Trade

Continued from page 4

for 1973-74 production range from 40 cents to $1.33, depending upon quality. There is no requirement to purchase the total crop produced.

Sorghum delivered price during the 1973-74 season is about 13 cents per kilogram.

Corn minimum purchase price, delivered to buyer, is set at about 12 cents per kilogram for the 1973-74 season. The Government does not make direct purchase of corn.

In addition to its domestic economic program, Taiwan also is seeking extended economic cooperation with some Arab countries. An agreement signed with Saudi Arabia this year calls for Taiwanese technical assistance in the field of rural electrification equipment, farm machinery, sugar production, chicken raising, and farming promotion.

Agreement has been reached on a joint partnership in Saudi Arabia for production of 500,000 tons of urea fertilizer annually.

Taiwan's economic growth rate in both 1973 and 1974 is viewed by economists as favorable when compared with the slowing effects that inflation has had in other countries. Despite major cost increases, higher prices, and pressures for higher wages, it appears that the economy of Taiwan will continue to expand in 1974, although at a somewhat slower rate than in 1973.

East European Inflation

Continued from page 6

omies," and adds that it is only due to "the stable character of socialist international relations" that the Hungarian economy has not been rocked.

However, the price shifts of recent months have tended to perpetuate disparities that existed in each of the four countries, and also have had the effect of diverting funds to consumers that were earmarked for improving social conditions and for public works projects. Also, the price changes have raised false economic signals that may retard technological progress. However, the economic disturbances caused by inflation are not yet apparent. Economic growth in 1973 actually ran above the annual targets set for the 1971-75 plans.

Even for 1974, economic indicators are projected to match the planned annual average rates, which are just slightly below the 1973 achievements.

The projected slowdown in the agricultural gross production growth rate is based strictly on the expectation of a less favorable weather pattern than was experienced in 1973. No cutbacks in either fertilizer application nor in farm mechanization are contemplated.

Real income growth is expected to range from 4.5 to 5.5 percent in Czechoslovakia, East Germany, and Hungary, and to attain a strong 9 percent rate in Poland.

None of the four countries has as yet arrived at final decisions as to general price realinements. Transitional selective price changes are expected to continue in 1975, and completely new price structures are expected to be developed for the 1976-80 plans.

BEYOND 1975, foreign trade prices among CEMA members will be renegotiated on the basis of world prices. As a consequence, domestic prices will have to be adjusted.

If food price subsidies in the four countries are to be reduced as is implied in the official statements, a leveling off of domestic meat consumption probably will occur. Also, domestic meat production growth probably will slacken if new markets for meat do not develop in countries benefitting from favorable prices of raw materials, or if demand in traditional markets does not recover.

For 1974-75, the uncertain market for East European meat exports, coupled with high prices for imports of fuel and raw materials, will dampen the demand for feed imports. On the positive side, despite record grain crops in these countries, feed supplies have not kept pace with livestock numbers. In mid-1974, cattle and hog numbers were up significantly over 1973 levels.

Preliminary reports of domestic small grain production (85-90 percent of total grain produced) point to a record crop in Czechoslovakia, East Germany, and Hungary. In Poland the expectation is for a harvest matching the record 1973 crop.

Harvest results in the four countries of corn and nongrain feed components —of which potatoes have particular importance in Poland—are uncertain.

Assuming normal weather conditions until the October harvest, average corn and potato harvests are still possible, in spite of heavy rains in July and August.

Corn is an important crop only in Hungary, which has become a net grain exporter in the past few years. Hungary is expected to export grain again in 1974-75—the quantity depending on the harvest.

In Czechoslovakia and East Germany, it is expected that grain imports from all sources of 4-5 million tons will level off and that growing demand for feed will be covered by increased grain production.

Poland, however, will be forced to expand its grain imports from all sources from 3 million tons in 1973 to as much as 4 million in 1974.

In fiscal 1973 and 1974, U.S. direct exports of grain to the four countries were 1.5 million tons and 1.4 million tons, respectively, and exports of soybean meal 600 000 tons and 500,000 tons, respectively. Also, some U.S. grain is reaching East Europe through transshipments and through Soviet accounts.

Poland plans to import from the United States in fiscal 1975 300,000-600,000 tons of wheat, 700,000-900,000 tons of feedgrains, 200,000-300,000 tons of soymeal, and 10,000-15,000 tons of cotton. Also, imports from the United States of cotton, tobacco, rice, and tallow will be financed by a $28 million CCC credit.

East Europe's imports of oilmeal probably will continue to increase, but pressures for expanding domestic oilseed production will recede only if the oilmeal-grain price ratio returns to the traditional level. The present relatively low-protein feed rations still leave room for higher oilmeal consumption.

Hungary's outturn of protein feed is increasing. Although no significant change is expected in production of sunflowerseed—the chief oilseed crop—soybean production was started this year on 25,000-35,000 acres.

In the three other countries, rapeseed is the principal oilseed crop. A sharp decline—equal to about 90,000 tons of meal—is expected in rapeseed production. This decrease signals an increased demand for meal imports to substitute for the decline and to assure operation of the mixed feed industry under established conditions and to provide mixed feed to the livestock industry in accordance with prescribed formulas.

The enlarged livestock inventories indicate a capacity to increase meat output, and Government meat purchases in the first 5 months of 1974 rose sharply—by 16 percent in Poland, 8 percent in East Germany, and 6 percent in Czechoslovakia.

DOMESTIC MEAT consumption is rising, due to increased availability of meat at the retail level, higher disposable personal income, and stabilized prices.

A severe problem developed earlier this year in the beef export trade, caused at first by Italian import barriers and later by the European Community embargo. Hungary, the largest exporter of live cattle among the four countries, has sustained the heaviest adverse impact, but the economic effects are being experienced in other East European countries that rely on earnings of hard currencies from exports of cattle and beef.

To ease this dislocation, the USSR bought an undisclosed number of slaughter cattle from Hungary, and other CEMA member countries helped by providing cold storage for meat that had been destined for export to EC countries.

If the drastic change in demand for beef in hard-currency markets continues, a rethinking about continued emphasis on beef production will become necessary. Hungary has a long-term goal to convert the dual-purpose cattle industry to beef and milk-producing sectors, and in implementing this program in fiscal 1974 imported about 3,000 head of U.S. breeding cattle. In fiscal 1973, imports from the United States totaled about 2,000 head.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Turkey Issues Wheat Tender

Turkey has issued a third tender for 500,000 metric tons of wheat, with delivery scheduled for March-July 1975. Wheat purchases under two previous tenders now total some 874,000-935,000 tons. If this latest tender is fulfilled, Turkey's wheat imports for 1974-75 will be about 1.4-1.5 million tons, compared with 600,000 tons in 1973-74.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Oct. 8	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	(1)	(1)	6.10
USSR SKS-14	(1)	(1)	(1)
Australian FAQ[2]	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	6.50	+44	5.63
15 percent	(1)	(1)	(1)
U.S. No. 2 Hard Winter:			
13.5 percent	6.40	+49	5.70
No. 3 Hard Amber Durum	8.10	+43	8.16
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	4.20	+26	3.16
Argentine Plate corn	4.31	+20	3.62
U.S. No. 2 sorghum	4.13	+29	3.20
Argentine-Granifero sorghum	4.15	+26	3.27
U.S. No. 3 Feed barley	(1)	(1)	3.05
Soybeans:			
U.S. No. 2 Yellow	10.29	+104	7.00
EC import levies:			
Wheat	0	0	0
Corn	0	0	.41
Sorghum	0	0	.24

[1] Not quoted. [2] Basis c.i.f. Tilbury, England.
NOTE: Price basis 30- to 60-day delivery.

Frost Strikes Corn in Mexico

An estimated 700,000 tons of corn were damaged by an early September frost that hit a five-state area in Mexico. Corn production prospects also have been reduced by an equal amount by unfavorable weather conditions, including drought in the northern tier of states and Hurricane Fifi. Total corn production is now estimated at about 8.4 million tons, compared with 9.2 million tons in 1973-74. Imports for 1974-75 are estimated at 1.4 million tons, 7 percent below the 1973-74 level, but total corn consumption is expected to increase through a reduction in stocks.

Japan Announces Pulse Import Quota

On September 2, the Government of Japan announced the pulse import quota for the second half of the current marketing year (April-September) at $18.8 million. The breakdown of the second half quota in thousands of dollars, is as follows: Azuki beans, 3,780; kidney beans, 9,110; broad beans, 2,450; and dried peas, 3,460. This brings the total allocation for Japanese marketing year 1974 to $35.5 million, compared with $21 million allocated in 1973. The increased dollar amount reflects higher world market prices for pulses.

OILSEEDS AND PRODUCTS

Philippines Ends Minimum Coconut Product Prices

Minimum export prices for copra, set at $590 per long ton, f.o.b., and for coconut oil, at 45 U.S. cents per pound, c.i.f. New York, have now been eliminated in the Philippines. A flexible export pricing system, based on world prices, will be used instead to establish the export sales price of coconut products. As long as the price of coconut oil maintains a reasonable relationship with world prices of other vegetable oils, approval for export will be readily granted. Farmgate prices for copra will also be permitted to fluctuate and will reflect world prices.

World Soybean Output Declines in 1974

World soybean production for 1974 currently is estimated at 53.5 million metric tons, 7 percent below the record 1973 volume of 57.9 million tons. This projection is based on the September U.S. crop estimate of 1,317 million bushels, compared with 1,567 million in 1973. The indicated decline in U.S. production reflects a 7 percent reduction in acreage as well as a 9 percent decline in yields. The drop in yields was due to unusually wet, spring weather that delayed plantings, followed by a hot, dry summer. Since September 1, frosts have damaged the crop, and this is likely to further reduce this year's final soybean harvest.

This year, Brazil became the world's second largest soybean producer, with a volume of 7 million tons, 2 million above that of 1973. Substantial gains also occurred in Argentina, where a crop of 496,000 tons is sharply above the 272,000 tons produced in 1973. Increased plantings also were evident in a number of minor producing countries, including Paraguay and Colombia, and further gains are expected in 1975.

Production of soybeans this year will register the first de-

cline since 1968, 4.4 million tons below the record 1973 volume. However, production in 1974 will be the second largest on record and availabilities will be cushioned by the 112-million-bushel (3 million tons) increase in U.S. stocks of beans on September 1, 1974, compared with the depleted volume of only 60 million for the same date last year.

Early prospects indicate that a substantial increase in Brazilian production will take place with expanded plantings late this year, and this should add substantial quantities for foreign market consumption beginning May 1975. Although small, other South American countries also are expected to increase plantings and production in 1975.

SUGAR AND TROPICAL PRODUCTS

Cocoa Council Revises Prices and Quotas

At a recent London meeting of the Cocoa Council—the governing body of the International Cocoa Agreement—the 43 member nations approved a 6.5-cents-per-pound increase for the price range and reduced export quotas by 87,900 metric tons. The new price range under the Agreement will be 29.5-38.5 cents per pound, compared with 23-32 cents previously.

COCOA EXPORT QUOTAS BY COUNTRY
[In 1,000 metric tons]

Country	New quota	Old quota
Ghana	545.0	580.9
Nigeria	289.1	307.8
Ivory Coast	212.1	224.0
Brazil	188.4	200.6
Cameroon	118.3	126.0
Togo	26.5	28.0
Total	1,379.4	1,467.3

The Agreement, which became effective June 30, 1973, has had little influence over the cocoa market. The purpose of the Agreement was to stabilize cocoa bean prices within a given price range by using export quotas, which are reduced as prices fall, and a buffer stock from which sales are to be made when prices approach the upper end of the range. The export quotas have never been implemented as cocoa prices have remained well above the price range and the buffer stock has not accumulated because of tight supplies. Thus, the revised price range and export quotas will have no impact on the current cocoa market, but will provide a higher support base for the Agreement.

World Cocoa Bean Production Up Slightly in 1974-75

World cocoa bean production for 1974-75 is forecast at 1.46 million metric tons, up 1 percent over the 1973-74 harvest of 1.45 million. Reflecting improved weather conditions, African production is expected to reach 1,035,800 tons, which is 7.7 percent above the 1973-74 outturn of 961,800. South American production is forecast at 279,100 tons. This is down sharply from the previous season's harvest of 348,100 because of smaller crops in Brazil and Ecuador. North American production is forecast at 92,200 tons, up slightly over the 1973-74 harvest of 86,000. Production in Asia and Oceana is forecast to reach a record 54,200 tons, compared with 50,100 in 1973-74.

Estimates for the major producing countries in 1,000 tons, with 1973-74 data in parentheses, are as follows: Ghana, 395 (355); Nigeria, 230 (215); Ivory Coast, 220 (210); Cameroon, 114 (110); Brazil, 175 (240); Ecuador, 55 (62); and the Dominican Republic, 38 (32).

More information will appear in the October 31 issue of *World Agricultural Production and Trade*.

Ghana Ups Cocoa Producer Price

Ghana has announced a 25 percent increase in cocoa producer prices. Cocoa farmers now will receive 15 cedis per 60 pounds (21.75 U.S. cents per lb.), compared with 12 cedis per 60 pounds (17.4 U.S. cents per lb.) paid previously.

PRC Buys Sugar From Jamaica

Jamaica has signed a 1-year agreement to supply the People's Republic of China (PRC) with 10,000 long tons of sugar from the 1974 crop. The price is US$528 per ton (about 23.5 cents per lb.). This is the first time that Jamaica has agreed to sell sugar to a country other than the United Kingdom, Canada, or the United States. Negotiations reportedly are to continue on a long-term arrangement, under which Jamaica is to supply sugar to the PRC, taking into consideration changes in production costs each year.

Sugar output in Jamaica from the 1974 crop amounted to some 378,000 tons, the best since the record 506,000 tons in 1965. Government loans to producers, according to a Sugar Industry Authority spokesman, should raise output to about 450,000 tons annually in the next 3 years.

Australian-Malaysian Sugar Pact Signed

Australia and Malaysia recently signed a new sugar supply agreement. The new agreement supersedes the previous agreement and covers the period 1975-80. It provides that Australia will deliver at least 1.65 million metric tons of sugar to Malaysia during that period. This is a substantial increase in average annual deliveries from about 70,000 tons per year to about 275,000 tons.

As Malaysia in recent years has been importing about 340,000 tons, Australia will now supply the bulk of its requirements. Small quantities of refined sugar are expected to continue to be imported from the People's Republic of China.

FRUIT, NUTS, AND VEGETABLES

Brazil's Juice Industry Proposes Export Controls

Brazil, the world's leading exporter of frozen concentrated orange juice, is concerned about slow early season sales to Europe, its largest market and also the major destination for U.S. exports the past two seasons.

Adding to the problem of marketing this year's record commercial orange crop, most of which is processed, were the suspension of a major processor from export trading (allegedly for selling below the Government's minimum export price—

MEP) and the bankruptcy of another. Although no official announcement has been made, producers and processors reportedly have accepted a Government resolution aimed at solving some of the industry's problems.

The resolution provides that under Government auspices, a Brazilian Juice Industry Association (ABRASUCO) will be formed from industry representatives. Private firms will trade as usual, but all sales will be made through ABRASUCO.

The suspended processor will be eligible to participate. Also, a global export quota for 1974 crop juice exports will be set at 110,000 metric tons. This compares with calendar 1973 shipments of about 120,000 tons. Under the resolution, the Government will set prices for oranges sold to the processor, and the MEP will be maintained at $560 per ton.

It also has been reported that the Brazilian Government will purchase at the MEP all unsold juice for which an export quota has been issued.

U.S. Canning Firm May Invest in Greece

According to a trade report, a well-known San Francisco-based canning firm will invest in a new fruit and vegetable canning operation in Greece. The cannery reportedly would involve an initial capitalization of about $4 million and be developed as a joint venture between the U.S. firm and the Investment Bank of Greece. The U.S. firm would own 50 percent of the new fruit and vegetable cannery.

COTTON

Depressed World Market For Textiles Continues

For some months world textile markets have been marked by reduced sales, rising pipeline inventories, and curtailed production. The situation is most severe in the Far East, where textile exports play a major role in the economic health of those countries' textile industries and plans for expansion. However, activity is also slack in Western Europe and in countries such as Brazil, Pakistan, and Turkey.

Reductions in economic activity aimed at curbing inflation have exacerbated the sluggish textile market, adversely affecting the demand for raw cotton. This is being compounded by larger-than-usual raw cotton stocks in foreign countries and the prospect that world production in the current season will exceed world consumption.

World cotton prices have been declining sharply since last January and now are about 60 cents a pound, landed Northern Europe. Foreign offers tend to shade U.S. prices by larger margins and foreign buyers are limiting purchases to current fill-in requirements.

Foreign Cotton Production About Unchanged in 1974

Production of cotton outside the United States is placed at 49.8 million bales in 1974-75, about unchanged from the 49.7 million bales harvested last season. In foreign non-Communist countries, production is estimated at 28.2 million bales, up from 27.5 million in 1973-74. Smaller crops in Egypt, Syria, and India are more than offset by the significant increases expected in Mexico, Pakistan, Turkey, Australia, Nigeria, and several South American countries.

Aggregate output in Communist countries is projected at 21.6 million bales, down from 22.2 million estimated for the 1973-74 season. A slightly larger Soviet crop in 1974-75 is expected to be more than offset by a decline in production in the People's Republic of China (PRC) from the record 10.3 million bales harvested in 1973-74 to around 9.5 million in the current season. (The estimates for the PRC are significantly higher than those previously published, and are part of a revised series prepared by FAS, Washington, in consultation with the Economic Research Service and the U.S. Agricultural Officer in Hong Kong.)

With the September estimate of 13.2 million bales in the United States, the world output of cotton indicated for 1974-75 is 63 million bales. This compares with 62.7 million produced in the preceding year.

DAIRY AND POULTRY

Danish Broiler Cutbacks Continue

A 3-week Danish cutback in chick hatchings in May reportedly was insufficient to bring broiler production in line with consumption. For this reason, further cuts to keep storage stocks from mounting are required.

The new program, covering 4 weeks in August-September, provided a subsidy for the slaughter of broiler breeder hens. The subsidy to the farmer was equivalent to 15-75 U.S. cents per bird, and also covered slaughtering and processing costs.

Even with cutback programs, some Danish slaughterhouses will have to shut down in December—making appropriate prior adjustments in chick placements—to avoid exceeding 1974 quotas on broiler output, which nationally total 74,000 metric tons.

EC Donates Nonfat Dry Milk To Food Aid Programs

A recent European Community regulation provides for the donation of 41,000 metric tons of nonfat dry milk to developing countries and international agencies. Among the top recipients are the World Food Program, 20,000 metric tons; the International Red Cross, 3,000; India, 2,750; and Bangladesh, 2,000 metric tons.

Canada Suspends Egg Import Quota, Ups Prices

On September 16 the Canadian Government suspended egg import quotas that, since May, had protected the Canadian egg price support system.

Possibly in view of rising U.S. egg prices, the Ontario Egg Marketing Board reportedly has further increased the producer egg price by 5 cents to 65 cents per dozen at the farm. With the foreign exchange discount, duty charges, and transport costs between the United States and Canada, the new price level is probably just below the point at which it would be profitable to import eggs from the United States. Comparable wholesale prices for eggs in New York are currently about 65 cents per dozen.

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WORLD COPRA OUTPUT RECOVERING FROM 1973 DROUGHT

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countries imposed restrictions on exports.

The Philippine export tax differentials imposed in February 1974 sharply curtailed copra exports. By mid-1974, further decisions relating to quotas and taxes—apparently designed to boost coconut oil prices on the world market—added to the uncertainty over future coconut oil exports.

Sri Lanka banned copra and coconut oil exports in an effort to assure adequate domestic supplies. Indonesia continued its restrictions on exports of copra and coconut oil.

These restrictions have considerably reduced the availability of copra and coconut oil entering world trade in the first half of 1974, and may continue to limit exports into early 1975.

The Philippines is the biggest producer of coconut oil and thus the main exporter. Copra and coconut oil exports during January-June 1974 totaled 277,000 tons (oil equivalent), down 44 percent from the same period of 1973.

Shipments of copra in June 1974 were only 18,600 tons, compared with 81,400 tons for the same month of 1973. Coconut oil exports in June were 34,500 tons, 13 percent below the 39,600 tons in June 1973. Exports for all of 1974 are forecast at 850,000 tons (oil equivalent), down 6 percent from the 902,000 tons in 1973.

The 1975 forecast of exports from the Philippines is for 1 million tons (oil basis). This total would be 71 percent of the 1.4 million ton world export total.

Indonesia normally exports only about one-fourth of its copra crop, and most of this volume historically has been in the form of copra. Since 1973, there have been restrictions on exports of copra. The 1974 exports, in terms of oil, are forecast at 70,000 tons, with 1975 likely to be at about the same level.

Exports from Sri Lanka reached a low of 20,000 tons (oil basis) in 1973. In recent years, most of the exportable part of the crop has been exported as oil. About half to two-thirds of the production is exported. This year, exports of oil probably will total about 50,000 tons, and may rise to about 80,000 tons in 1975.

Papua New Guinea exports most of its copra crop, with about two-thirds of it going as copra and one-third as oil. Exports in 1974 and 1975 are both forecast at 75,000 tons (oil basis).

Canadian Wool

Continued from page 8

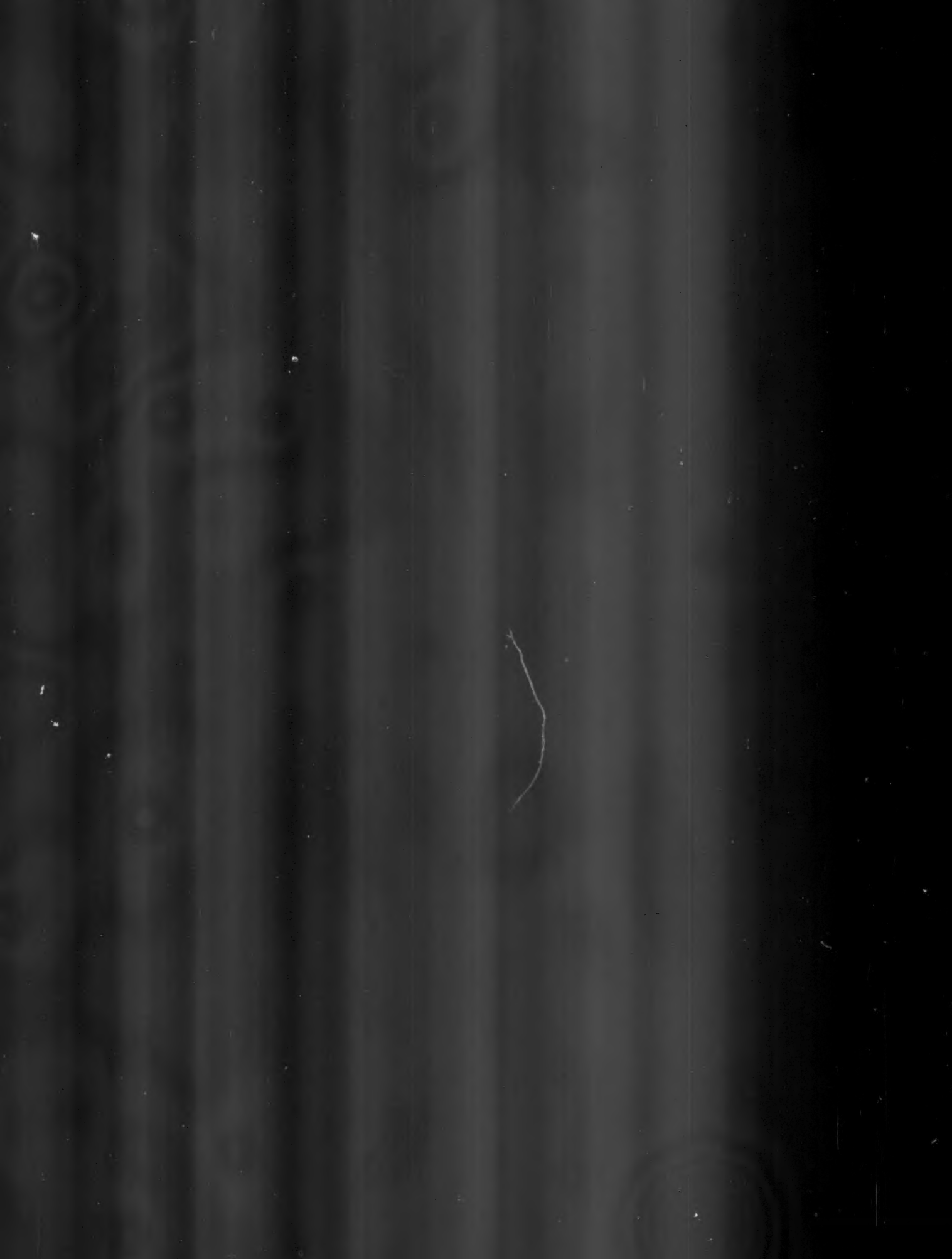
In the past, Alberta sheep producers have been reluctant to expand because of uncertain markets and low prices. But Government incentive programs and the new plant at Innisfail are expected to encourage producers to expand their flocks and thus increase wool production as well as meat output.

The Alberta Government in March announced a new incentive program designed to encourage increased sheep production. Also, a new lamb incentive program promulgated in Alberta in August offers sheep producers an incentive of $10 per ewe lamb to retain top quality 1974 ewe lambs for breeding purposes. The program is retroactive to July 1, but payments will not start until April 1, 1975.

In Nova Scotia, a new incentive program offers financial assistance to sheep breeders who purchase or select additional breeding females to expand their flocks. A budget of $50,000 has been set up for grants of assistance to producers of $15 per ewe up to a maximum 250 ewes. To be eligible for such assistance, producers must have a minimum of 40 ewes.

Nova Scotia has land available that has excellent potential for sheep production. A killing plant at River John has a capacity of 8,000-10,000 lambs per year, which guarantees an inspected quality product for the local market. The program's objective is to increase the breeding flock by 5,000 ewes and help make Nova Scotia self-sufficient in the production of fresh lamb.

With this official encouragement for expansion of sheep flocks, Nova Scotia's output of wool can be expected to increase in 1974. Wool production in Nova Scotia in 1973 accounted for 3.4 percent of total Canadian wool production.

The new Federal lamb carcass grading system established by Agriculture Canada on April 1 abolishes restrictive weight ranges and thus permits producers to raise heavier, meatier lambs without risk of penalty. Producers who had been pressing for the change since 1972, welcomed the Federal Government's new grading system.

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